

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Michael Kubayanda, Chairman;  
Ashley E. Poling, Vice Chairwoman;  
Mark Acton;  
Ann C. Fisher; and  
Robert G. Taub

Market Test of Experimental Product –  
USPS Connect Local Mail

Docket No. MT2022-1

NOTICE AND ORDER CONCERNING MARKET TEST OF  
EXPERIMENTAL PRODUCT – USPS CONNECT LOCAL MAIL

(Issued November 16, 2021)

I. INTRODUCTION

In accordance with 39 U.S.C. 3641 and 39 CFR part 3045, the Postal Service filed notice of its intent to conduct a market test of an experimental product called USPS Connect Local Mail.<sup>1</sup> The Postal Service states that currently, when business mailers who send documents locally with regular frequency wish to send documents for same-day or next-day arrival, they are directed to use a variety of services that were designed for end-to-end mailing over long distances, and are priced accordingly. Notice at 1. The Postal Service asserts that USPS Connect Local Mail is designed as an economical alternative for these mailers. *Id.* at 1-2. The Postal Service “intends for the

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<sup>1</sup> United States Postal Service Notice of Market Test of Experimental Product – USPS Connect Local Mail, November 10, 2021 (Notice).

market test to run for two full years beginning on January 9, 2022,” although it explains that it “may decide to seek permanent product status earlier, or alternatively [it] may seek authority for an additional year of testing if more time is needed to determine the feasibility or desirability of the product.” *Id.* at 3.

## II. BACKGROUND

On November 10, 2021, the Postal Service filed the Notice proposing the USPS Connect Local Mail market test. The Postal Service asserts that “local document delivery could benefit from increased competition, and that economical local document delivery is a market that is currently underserved by USPS.” Notice at 1. As such, according to the Postal Service, USPS Connect Local Mail (as well as its planned package-focused counterpart, USPS Connect Local)<sup>2</sup> is designed to offer improved access to the Postal Service network for local mailers and will leverage the Postal Service’s current “last-mile infrastructure to create economical new solutions for customers.” Notice at 2.

The Postal Service states that USPS Connect Local Mail will be available at Destination Delivery Units or by carrier pick-up in line-of travel. *Id.* at 2. It also states that it will offer same-day or next-day delivery, six days per week, with customers receiving same-day or next-day delivery based on whether they’ve entered their mail within the Critical Entry Time. *Id.* The Postal Service adds that it will offer tracking services for USPS Connect Local Mail. *Id.* According to the Postal Service, “[d]ocuments mailed using this service must be paper-based and may contain personal information.” *Id.* at 3.

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<sup>2</sup> In a separate proceeding to adjust Competitive product rates, Docket No. CP2022-22, the Postal Service has proposed to add “USPS Connect Local” as a new price category under the existing Parcel Select product. Docket No. CP2022-22, USPS Notice of Changes in Rates of General Applicability for Competitive Products, November 10, 2021, at 2-3. Any comments on the Postal Service’s plans to add this new Competitive product price category should be filed in Docket No. CP2022-22.

The Postal Service plans to offer USPS Connect Local Mail at \$2.95 for a Letter or Flat size mailpiece with a weight up to 13 ounces. *Id.* at 2. It will allow customers to pay for this service using Click-N-Ship or through a Postal Service application programming interface. *Id.* at 3. According to the Postal Service, USPS Connect Local Mail will cover its attributable costs, which it estimates to be \$2.03 per piece based on the volume variable cost of Priority Mail flats, modified to reflect differences in mail processing, transportation, and packaging costs. *Id.* at 2-3.

The Postal Service states that USPS Connect Local Mail will be tested nationwide with a phased rollout. *Id.* at 3.

### III. COMPLIANCE WITH LEGAL REQUIREMENTS

The Postal Service asserts that the proposed market test meets the requirements of 39 U.S.C. 3641 and 39 CFR part 3045. First, the Postal Service explains that, “from the viewpoint of mail users, USPS Connect Local Mail is significantly different from all products offered by the Postal Service within the last two years” as required by 39 U.S.C. 3641(b)(1). Notice at 3. The Postal Service states that it “does not currently offer an expedited First-Class Mail product for local mailers to quickly and cost effectively mail local personalized correspondence,” nor does First-Class Mail include tracking or free packaging. *Id.* at 3-4. According to the Postal Service, although Priority Mail Express and Priority Mail may be used to deliver local mail, they are “intended for nationwide, end-to-end shipping and their pricing reflects these higher costs.” *Id.* at 4. Thus, it asserts, USPS Connect Local Mail is significantly different from the other services it offers. *Id.*

Second, the Postal Service asserts that USPS Connect Local Mail “will not create an unfair or otherwise inappropriate competitive advantage for the Postal Service or any mailer,” as set out in 39 U.S.C. 3641(b)(2), because it was “designed to increase small business access to the USPS network and...leverages the Postal Service’s existing delivery network to address a need for locally-focused small businesses,” thus

“offer[ing] a low-priced alternative in a market that is arguably underserved by USPS.” *Id.*

Third, the Postal Service states that USPS Connect Local Mail is properly categorized as market dominant as required by 39 U.S.C. 3641(b)(3) given that it “is not structuring USPS Connect Local Mail to meet any of the exceptions or suspensions to the Private Express Statutes.” *Id.*

#### IV. DATA COLLECTION

To better understand the results of the market test, the Postal Service asserts that it will collect the following data on a quarterly basis by district for USPS Connect Local Mail: volume of mailpieces, number of customers, and revenue.<sup>3</sup> The Postal Service also states that it will collect data on the attributable costs of USPS Connect Local Mail, including administrative costs of the test. Notice at 5.

#### V. NOTICE OF COMMISSION ACTION

The Commission establishes Docket No. MT2022-1 to consider matters raised by the Notice. The Commission invites comments on whether the Postal Service’s filing is consistent with the requirements of 39 U.S.C. 3641 and 39 CFR part 3045. Comments are due no later than December 7, 2021. The filing can be accessed via the Commission’s website (<http://www.prc.gov>).

The Commission appoints Mallory L. Smith to serve as an officer of the Commission to represent the interests of the general public in these proceedings (Public Representative).

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<sup>3</sup> *Id.* at 5. The Postal Service states that, although “[v]olumes and revenues for USPS Connect Local Mail are difficult to predict...it is possible that the Postal Service may eventually need to seek a waiver of the annual statutory limitation of \$11,860,140.” *Id.* It explains that, should the revenue approach this amount, the Postal Service “will furnish the appropriate notice to the Commission and submit an application for exemption from the cap under 39 U.S.C. § 3641(e)(2) in a timely manner.” *Id.*

## VI. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission establishes Docket No. MT2022-1 to consider the matters raised by the Notice.
2. Pursuant to 39 U.S.C. 505, Mallory L. Smith is appointed to serve as an officer of the Commission to represent the interests of the general public in these proceedings (Public Representative).
3. Comments are due no later than December 7, 2021.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Erica A. Barker  
Secretary